

## Message Text

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ACTION OES-06

INFO OCT-01 EUR-12 ISO-00 L-03 PM-04 ACDA-07 SS-15 ERDA-05  
NRC-05 XMB-02 DODE-00 TRSE-00 OMB-01 AID-05 COME-00  
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/099 W

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P 271232Z JAN 77  
FM AMEMBASSY MADRID  
TO SECSTATE WASHDC PRIORITY 8763

C O N F I D E N T I A L MADRID 0660

E.O. 11652: GDS  
TAGS: TECH, ENRG, SP  
SUBJECT: US-SPANISH NUCLEAR COOPERATION

REF: STATE 12346

1. ECONOMIC COUNSELOR AND EMBOFF MET WITH FONMIN DIRECTOR  
GENERAL INTERNATIONAL TECHNICAL COOPERATION BARROSO AND  
SR. JOSE MARIA VELO OF HIS STAFF JAN. 25 TO EXPLORE FURTHER  
PROBLEM OF ARRIVING AT EXPEDITIOUS AND MUTUALLY ACCEPTABLE  
MEANS OF OBTAINING GOS ASSURANCES ON REPROCESSING TO INCLUDE  
ALL FUEL IRRADIATED IN US SUPPLIED REACTORS. EMBOFFS  
EXPLAINED THAT WHILE AT A FUTURE DATE WE WILL WANT TO DISCUSS  
MORE COMPREHENSIVE MODIFICATIONS OF BILATERALS WITH SPAIN  
AND OTHER COUNTRIES WITH WHICH WE HAVE NUCLEAR COOPERATION  
AGREEMENTS, OUR MOST IMMEDIATE OBJECTIVE IS TO FIND MEANS  
OF OBTAINING GOS REPROCESSING ASSURANCES TO FACILITATE  
EXIM BANK CREDITS AND NRC LICENSING OF EXPORTS TO SPAIN.  
EMBOFFS STATED THAT US IS FLEXIBLE ON HOW THIS MIGHT BE  
ACHIEVED, WHETHER BY PROTOCOL, EXCHANGE OF NOTES, OR OTHER  
MEANS, PROVIDED US WOULD NOT HAVE TO TREAT GOS ASSURANCES  
AS AMENDING BILATERAL AGREEMENT.

2. BARROSO SAID GOS WAS PREPARED TO CONSIDER PROBLEMS  
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ARISING FROM REPROCESSING OF FUELS, BUT COULD NOT AGREE TO EXPANDING  
SAFEGUARD PROVISIONS BY EXCHANGE OF NOTES OR ANY OTHER MEANS WITH-  
OUT CONSIDERING EFFECT ON OTHER ASPECTS OF THE AGREEMENT. GOS  
BELIEVES  
THAT AN OVERALL REVIEW OF AGREEMENT WITH US EXPERTS SHOULD  
INCLUDE NOT ONLY MEANS TO ACHIEVE MUTUAL BASIC GOAL  
OF NUCLEAR NON-PROLIFERATION BUT ALSO WAYS TO DEAL WITH

GOS CONCERNS, WHICH MAINLY INVOLVE ASSURANCE OF ADEQUATE AND DEPENDABLE NUCLEAR FUEL SUPPLY. FOR EXAMPLE, GOS IS APPREHENSIVE THAT TIGHTER SAFEGUARDS SUCH AS EXTENSION OF REPROCESSING CONTROLS TO FUEL SUPPLIED BY THIRD COUNTRIES IRRADIATED IN US SUPPLIED REACTORS MAY PREJUDICE FUEL SUPPLY FROM NON-US SOURCES. THUS, IN GOS OPINION ONLY PROPER AND LEGAL METHOD TO DISCUSS USG DESIRES FOR MORE COMPLETE SAFEGUARDS WOULD BE OVERALL REVIEW OF BILATERAL AGREEMENT.

3. EMBOFFS REITERATED THAT WHILE USG IS PLANNING TO HOLD SEPARATE REVIEWS WITH ALL COUNTRIES NOW PARTIES TO OUR BILATERAL NUCLEAR ACCORDS PREPARATION FOR THESE DISCUSSIONS WILL TAKE CONSIDERABLE TIME, DURING WHICH THERE REMAINS IMMEDIATE PROBLEM OF APPROVING LICENSES PENDING BEFORE USG FOR EXPORT OF NUCLEAR REACTORS AND ENRICHED URANIUM TO SPAIN. IN ORDER TO AVOID FURTHER DELAY, USG IS SEEKING INTERIM SOLUTION TO COVER DISPOSITION OF THIRD COUNTRY SUPPLIED FUEL.

4. BARROSO SAID THAT, ALTHOUGH UNFORTUNATE, DELAY IN OBTAINING LICENSES IS PROBLEM FOR CONTRACTING PARTIES NOT FOR GOS, AND FAILURE TO PERFORM CONTRACT IS MATTER FOR COMMERCIAL RESOLUTION INCLUDING, IF NECESSARY, "LITIGATION." HOWEVER, IN ORDER TO AVOID UNNECESSARY DELAY, GOS IS PREPARED TO MEET AS SOON AS CONVENIENT FOR USG TO REVIEVS BILATERAL AGREEMENT IN ORDER TO EXTEND SAFEGUARD PROVISIONS. IN INTERIM, FONMIN IS WILLING TO SEND A NOTE STATING THAT IN ACCORD WITH SPAIN'S CONFIDENTIAL

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LONG-STANDING COOPERATION WITH THE US IN DEVELOPING PEACEFUL USES OF NUCLEAR POWER AND ITS SHARED CONCERN ABOUT PROLIFERATION OF NUCLEAR ARMS, IT IS PREPARED TO MEET WITH USG REPRESENTATIVES AT THE EARLIEST POSSIBLE DATE TO ADAPT BILATERAL AGREEMENT TO CURRENT CIRCUMSTANCES.

5. REGARDING THE MATTER OF A REPLY TO THE 1974 PNE NOTE ATTACHED TO THE BILATERAL AGREEMENT, BARROSO AND VELO EXPRESSED SURPRISE THERE HAD BEEN NO WRITTEN ACCEPTANCE OF CONDITIONS IN US NOTE AT TIME OF SIGNATURE OF AGREEMENT. THEY SAID THEY WOULD LOOK INTO THE MATTER, SUGGESTING THAT SPANISH EMBASSY COULD PROBABLY BE INSTRUCTED TO REPLY ACCEPTING CONDITIONS IN US NOTE. WE SHALL CONTINUE TO PRESS FOR EARLY ACTION ON THIS.

6. SUBSEQUENT TO MEETING WITH BARROSO DESCRIBED ABOVE, AMBASSADOR DISCUSSED REPROCESSING QUESTION WITH DIRECTOR GENERAL OF NORTH AMERICAN AFFAIRS DURAN. HE STRESSED THAT: (A) ADMINISTRATION IS BEGINNING ITS OWN

FULL-SCALE REVIEW OF NUCLEAR COOPERATION AND THIS MAY TAKE CONSIDERABLE TIME; (V) IT IS DOUBTFUL THAT BILATERAL TALKS SUGGESTED BY BARROSO WOULD BE POSSIBLE FOR AT LEAST SEVERAL MONTHS; (C) AMENDMENT PROCESS IS IN ITSELF A LENGTHY PROCESS; (D) IN VIEW OF ALL THIS AND UNLESS THERE IS AN INTERIM SOLUTION, THERE WILL CONTINUE TO BE LONG DELAYS IN PROCESSING PENDING EXIM CREDITS AND LICENSE APPLICATIONS BY NRC, AND; (E) THESE DELAYS, ALTHOUGH THEY DID NOT SEEM TO TROUBLE BARROSO, WERE NOT IN THE BEST INTEREST OF CONTINUING US-SPANISH COOPERATION IN THE NUCLEAR FIELD. THE AMBASSADOR THEN ASKED DURAN TO CONSIDER AGAIN AN INTERIM SOLUTION TO CONSIST OF A WRITTEN COMMUNICATION TO USG WHICH WOULD PROVIDE NECESSARY GOS ASSURANCES ON REPROCESSING. AMBASSADOR MADE PERSONAL SUGGESTION THAT CONSIDERATION MIGHT INCLUDE WORDS QUOTE PENDING A REVIEW OF THE US-SPANISH BILATERAL AGREEMENT OF NUCLEAR COOPERATION UNQUOTE. DURAN PROMISED CONFIDENTIAL

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THAT HE WOULD DISCUSS THIS IDEA WITHIN FOREIGN OFFICE AND BE BACK IN TOUCH.

7. THE SUGGESTION TO INCORPORATE IN THE SPANISH NOTE THE WORDS QUOTE PENDING A REVIEW OF THE US-SPANISH AGREEMENT ON NUCLEAR COOPERATION UNQUOTE WOULD PERHAPS GIVE THE SPANISH SOME SATISFACTION THAT THE AGREEMENT WILL ULTIMATELY BE REVIEWED, AT WHICH TIME, A WHOLE RANGE OF ITEMS, INCLUDING PROBLEMS WHICH MAY RESULT FOR SPANISH IN THE EXTENSION OF THE SAFEGUARD ASSURANCES, COULD BE CONSIDERED. WHETHER OR NOT THE AMBASSADOR'S SUGGESTION TO DURAN WILL MOVE US FORWARD REMAINS TO BE SEEN. IF THE DEPARTMENT HAS ANY PROBLEM WITH THIS SUGGESTION, PLEASE LET US KNOW IMMEDIATELY. STABLER

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